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29 July 1955

TO : Chief, Coordination Area

THRU : Chief, Economic Research
Chief, Services Division

FROM : Chief, Trade Branch

SUBJECT: Comments on Draft Outline for Proposed Study on "Political Significance of Free World Trade Controls to the Sino-Soviet Bloc."

1. The outline is not designed to arrive at the net political effect of trade controls on the Sino-Soviet Bloc. It asks for analysis only on certain harmful effects and ignores possible beneficial effects. The only meaningful answer would be one measuring the net political effects. In other words the outline suggests a preconceived answer.

2. A less serious omission but nevertheless a factor for consideration is the exclusion of the political effects of trade controls on Free World countries. The most useful analysis would contrast Free World and Bloc political effects.

3. Although it is difficult to separate political and economic effects, it appears that some of the listed effects are primarily economic and would have only minor political ramifications. In turn, some effects which are essentially political have been ignored, e.g., whether or not trade controls have hastened Bloc political integration.

4. Even though they do not take care of all the defects discussed above, the following specific changes are suggested:

a. Add to section II. A.

5) lead to greater economic diversity and thus contribute to the self-sufficiency of the Bloc.

b. Add to section II. B.

4) lead to greater cooperation and integration of the Sino-Soviet Bloc for the common purpose of offsetting the effect of controls.

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5) force Communist China to be more dependent upon the Soviet Bloc.

c. Add to section III. A.

5) allow the Sino-Soviet Bloc to exploit differences among Free World countries as to the level of controls and specific commodities controlled.

5. It should be recognized that this study would represent a major research effort. Not only would it be difficult to obtain the necessary information but also serious methodological problems would arise. E. g., after a number of years of study, little is known in detail as to the precise functions of CEMA and the degree of integration which exists among the Bloc countries in their day-to-day trading operations with the West. While it would be relatively easy to give rather superficial answers to some of the questions in the outline, it will be far more difficult to arrive at a really meaningful evaluation of the political significance of trade controls to the Bloc.

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